

**Supporting Statement for the  
Money Market Mutual Funds Asset Reports  
(FR 2051a/b; OMB No. 7100-0012)**

**Summary**

The Board of Governors of the Federal Reserve, under delegated authority from the Office of Management and Budget (OMB), proposes to extend for three years, without revision, the reports of money market mutual fund assets (FR 2051a and FR 2051b; OMB No. 7100-0012). The weekly FR 2051a collects data on total shares outstanding for approximately 2,100 money market mutual funds (MMMFs) and the monthly FR 2051b collects data on total net assets and portfolio holdings for approximately 700 funds. The Investment Company Institute (ICI), the trade organization for all mutual funds, collects the data for the Federal Reserve. The data are used to construct the monetary aggregates and for the analysis of current money market conditions and banking developments. The attached forms are for illustrative purposes only. The estimated annual burden for this voluntary report is approximately 7,140 hours.

**Background and Justification**

In 1980, the redefinition of the monetary aggregates to include the total value of outstanding shares of MMMFs created the need for a timely and reliable flow of data from these institutions. To construct accurate measures of M2 and M3, the Federal Reserve needs both MMMFs' total asset value and their portfolio composition. There are two broad categories of MMMFs that offer shares to the public: funds available to retail investors and funds available to institutional investors. The total value of outstanding shares of retail MMMFs is included in M2; the value of retail and institutional fund shares is included in M3.

In 1981, ICI agreed to collect data from its member MMMFs on behalf of the Federal Reserve System. Initially, it collected the total net value of outstanding shares (total assets less expenses and management fees) weekly through a telephone survey (FR 2051a) of all of its member taxable MMMFs. Data on portfolio composition were collected through a monthly mail survey (FR 2051b). Due to the rapid growth of MMMF shares and the difficulty estimating the investment holdings of these funds, the Federal Reserve developed the FR 2051c to collect weekly information on the value of total shares and holdings of repurchase agreements (RPs) and CDs from a sample of MMMFs.

In 1982, the Federal Reserve instituted the FR 2051d to collect weekly data on MMMF holdings of overnight Eurodollars. In 1983, the Federal Reserve expanded the weekly FR 2051c to include term Eurodollar holdings by MMMFs. In 1997, the Federal Reserve simplified the FR2051b report and discontinued the FR2051c and FR2051d reports after depository institutions began reporting weekly RPs and Eurodollars to the Federal Reserve net of MMMF holdings.

The Federal Reserve uses data on the portfolio composition of MMMFs to eliminate double counting in constructing the monetary aggregates. MMMFs invest large portions of their portfolios at banks, and in some cases, banks include liabilities due to these funds in other reports that are used to construct the monetary aggregates. For example, MMMFs hold large amounts of certificates of deposit (CDs) at commercial banks. Because these deposits are already included in the large time deposit component of M3, money fund holdings of CDs are implicitly reported

in two places. Data collected on portfolio composition allow the Federal Reserve to calculate money fund CD holdings and net this amount from the large time deposit component of the money stock.

Weekly aggregated data (measured each Wednesday) on the value of the total outstanding shares at MMMFs now constitute a weekly statistical release from ICI, *Money Market Mutual Fund Assets*. End-of-month aggregated data on portfolio composition currently are included in the monthly ICI publication *Trends in Mutual Fund Investing*. These data cover total assets and holdings of large CDs, RPs, Eurodollars, U.S. Treasury securities, other U.S. government securities, commercial paper, bankers' acceptances, bank notes, and other assets from a sample of MMMFs.

ICI provides its data to the Federal Reserve broken down by individual fund. The Federal Reserve uses the data on the value of outstanding shares of MMMF assets directly in the compilation of M2 and M3. It uses the data on holdings of large CDs to avoid double counting these amounts in constructing the large time deposit component of M3. The items on the monthly FR 2051b report help the Federal Reserve better understand how MMMFs manage their holdings in light of current financial market conditions. The monthly RP and Eurodollar information are also used to monitor gross RPs and gross Eurodollar deposits.

ICI also collects end-of-quarter data on total individual retirement account (IRA) balances of MMMFs. Although the Federal Reserve has no report for collecting these data, ICI provides them in aggregate form for use in the construction of the monetary aggregates (retirement related balances are in general excluded from the monetary aggregates).

Table 1 summarizes the current use of the all data items used in the construction of the monetary aggregates M2 and M3. Table 2 gives the size of these aggregates.

<p>Table 1 MMMF Report Items Used in the Construction of the Monetary Aggregates, at the end of June 2003 (not seasonally adjusted)</p>		
Use	Item	\$ Billions
M2, M3	Total assets of MMMFs	2,209.4
M3	Large CDs held by MMMFs	162.0
M2	Memorandum: MMMF IRA/Keogh balances	183.3*

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\* Data were for March 2003.

Table 2 Monthly Average Data for Selected Monetary Aggregates, for June 2003 (not seasonally adjusted)	
Item	\$ Billions
M2	60,12.6
M3	8,741.1

### **Description of Information Collection**

ICI collects the FR 2051 data from its member money market mutual funds on behalf of the Federal Reserve System. ICI determines the procedures used to collect the data and does not use the FR 2051 reporting forms themselves. ICI collects the data items needed by the Federal Reserve that are described below.

#### **Weekly Report of Assets of Money Market Mutual Funds (FR 2051a)**

No change is proposed to the FR 2051a. This report collects one item, the net value of total shares outstanding (total assets less expenses and management fees) of MMMFs. Originally, ICI collected the data through a telephone survey from all ICI member MMMFs. Now almost all respondents submit data through electronic means. Currently, there are about 2,100 respondents. ICI conducts the weekly survey every Wednesday and provides individual fund data to the Federal Reserve.

#### **Monthly Report of Assets of Money Market Mutual Funds (FR 2051b)**

No change is proposed to the FR 2051b. This report collects end-of-month data on total net assets and on selected investments from a sample of large MMMFs. FR 2051b respondents account for about 85 percent of all MMMF assets. Data are collected on U.S. Treasury securities, other U.S. government securities, RPs on U.S. government and federal agency securities, large CDs, Eurodollar deposits, commercial paper, bankers' acceptances, bank notes, other assets, and total net assets. ICI collects these data mostly by fax and completes the survey with a month lag. It provides individual fund data to the Federal Reserve.

### **Time Schedule for Information Collection and Publication**

The ICI conducts the FR 2051a survey as of each Wednesday and the FR 2051b survey as of the last day of the month. The Federal Reserve uses the data for construction of the monetary aggregates, which are published in the Board's weekly H.6 statistical release, "Money Stock

Measures,” and in Table 1.10 of the *Federal Reserve Bulletin*. Retail and institutional MMMF data and IRA balances at MMMFs are also published as separate items on the H.6 release.

## Legal Status

The Board’s Legal Division has determined that these reports are authorized by law [12 U.S.C. 353 et. seq.] and are voluntary. Individual respondent data are regarded as confidential under the Freedom of Information Act [5 U.S.C. 552(b)(4)].

## Consultation outside the Agency

ICI has indicated its willingness to continue to collect and provide to the Federal Reserve all information requested in the FR 2051a and FR 2051b reports.

## Estimated Respondent Burden

The current annual burden for the FR 2051a and FR 2051b reports is estimated to be 7,140 hours, as shown in the following table. The annual burden for the FR 2051a and 2051b represents less than 1 percent of the total Federal Reserve System paperwork burden for all reports.

	<i>Number of respondents</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
<b>Current Panels</b>				
FR 2051a	2,100	52	0.05	5,460
FR 2051b	700	12	0.20	<u>1,680</u>
Total				7,140

Based on an estimated cost of \$20 per hour, the estimated annual cost to the public will be \$142,800.

## Sensitive Questions

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.

## Estimated Cost to the Federal Reserve System

The ICI collects, processes, and transmits the data to the Federal Reserve at no charge. The Federal Reserve estimates its current annual processing costs for FR 2051 data are \$94,820.